Letter to The Financial Times: Ongoing uncertainty puts UK closer to recession

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"The deafening silence over Brexit" (Big Read, June 21) by George Parker and Chris Giles notes that both "Johnson and Sunak insist that it is hard at this stage to separate Brexit's economic impact from the shock of Covid".

In fact, it is tempting to argue that Covid has come at a very "convenient" time for Boris Johnson because it "hides" the true impact of Brexit on the UK economy.

Yet, in brand new peer-reviewed research, published by The European Journal of Finance under the very telling title "Of votes and viruses: the UK economy and economic policy uncertainty", we attempt to separate the impacts of Brexit and Covid on the UK economy.

We find that an economic policy uncertainty shock, comparable to the one generated by the June 2016 EU Referendum, triggers a statistically significant and contractionary impact on UK GDP growth for as many as 12 months.

Notice also that this very economic policy uncertainty shock spills over to UK financial markets in terms of higher long-term borrowing costs and increased volatility in the sterling exchange rate. These unwelcome developments in UK financial markets generate additional contractionary effects which last for as many as 20 months.

Which brings us, of course, to the Northern Ireland Protocol Bill. It is reasonable to expect that by pushing forward with this very bill, Johnson's government will unnecessarily add to economic policy uncertainty therefore creating the "perfect" conditions for further recessionary effects over and above those currently predicted by the Bank of England.

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